

EXHIBIT A

**2003 AMENDED AND RESTATED
SUPPLEMENTAL PLAN PROVISIONS
FOR THE
CITY OF KNOXVILLE EMPLOYEES PENSION SYSTEM**

AMENDED AND RESTATED as of November 25, 2003

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INTRODUCTION

The City of Knoxville (the "City") has adopted, through the enactment of the applicable provisions of Article XIII of the City of Knoxville Charter (the "Act"), the City of Knoxville Employees Pension System (the "Pension System") in order to provide retirement benefits for certain of its Employees who are members of Divisions A, B, C or G of the Pension System. Effective July 1, 1997, the City modified the retirement benefits for general government employees in Division A who elected into a new Division G and for all new general government employees hired by the City on or after January 1, 1997. As part of that modification, the City has authorized in Section 1371.6 of the Act the adoption of Supplemental Plan Provisions in order to more fully provide for the individual accounts of the members of Division G and incorporate certain qualification requirements of the Internal Revenue Code (the "IRC") affecting such members. The Supplemental Plan Provisions were adopted by the Council of the City on June 17, 1997 by Ordinance No. O-245-97. On February 9, 1999, the Council of the City, on recommendation of the Mayor and the City of Knoxville Pension Board, amended and restated the Supplemental Plan Provisions (the "Supplemental Plan") by Ordinance No. O-48-99, as authorized in Sections 1350.12 and 1371.6 of the Act. Effective as of July 1, 2002, the Council of the City, on recommendation of the Mayor and the City of Knoxville Pension Board, amended and restated the Supplemental Plan by Ordinance No. O-310-02, as authorized in Sections 1350.12 and 1371.6 of the Act. Effective November 25, 2003, the Supplemental Plan was further amended and restated by Ordinance No. O-409-03.

Upon approval by the City Council, this Supplemental Plan shall become part of the Pension System. The Supplemental Plan and the Act shall be read together to provide retirement benefits to the members of the Pension System. The provisions of the Supplemental Plan that are intended to qualify the Pension System under the IRC shall, to the extent necessary, modify the Act.

ARTICLE I

DEFINITIONS

The words and phrases defined at Sections 1350, 1360.1, 1371.1 and 1390.1 of the Act shall have the same meaning when applied by this Supplemental Plan to the members of the Pension System, unless otherwise required by the context or as may be otherwise defined by the terms of this Supplemental Plan. When used in this Supplemental Plan, the following words and phrases shall also have the meaning indicated below:

- 1.01 Act means the applicable provisions of Article XIII of the Charter of the City of Knoxville that constitute the City of Knoxville Pension System.
- 1.02 Actuarial Factors means those actuarial factors in Appendix A.
- 1.03 Annual Additions means the sum of the following amounts credited to a member's account for the Limitation Year:
- (i) Employer Contributions;
 - (ii) Employee Contributions;
 - (iii) Forfeitures;
 - (iv) amounts allocated after March 31, 1984, to an individual medical account that is part of a pension or annuity plan maintained by the employer are treated as annual additions to a Defined Contribution Plan. Also, amounts derived from contributions paid or accrued after December 31, 1985, in taxable years ending after such date, that are attributable to post-retirement medical benefits allocated to the separate account of a key employee (as defined in Section 419A(d)(3) of the Internal Revenue Code) under a welfare benefit fund are treated as annual additions to a Defined Contribution Plan; and
 - (v) allocations under a simplified employee pension.
- 1.04 Defined Benefit Plan means a plan established and qualified under IRC Section 401 or 403(a), except to the extent it is, or is treated as, a Defined Contribution Plan.
- 1.05 Defined Contribution Plan means a plan which is established and qualified under IRC Section 401 or 403(a), which provides for an individual account for each member therein and for benefits based solely on the amount contributed to each member's account and any income and expenses or gains or losses (both realized and unrealized) which may be allocated to such accounts.

- 1.06 Effective Date means July 1, 1997 for the members of Division G, and February 9, 1999 or such later date as of which the City shall adopt the Supplemental Plan for the remaining members of the Pension System.
- 1.07 Forfeiture means any amount of a member's individual account or other amount held by the Plan upon a member's termination of participation in the Plan because the member is not entitled to receive a distribution of such amount in accordance with the terms of Article II hereof. In a Defined Benefit Plan or a Defined Contribution Plan, forfeitures cannot be used to increase the benefits of other members, but instead must be used to reduce Employer Contributions.
- 1.08 IRC means the Internal Revenue Code of 1986, as amended. Any reference to any section of the IRC shall be deemed to include any applicable regulations and rulings pertaining to such section and shall also be deemed a reference to comparable provisions of future laws.
- 1.09 Limitation Year means the twelve (12) month period commencing July 1 and ending June 30.
- 1.10 Maximum Compensation means any earnings or compensation, however defined, taken into account for determining all benefits or contributions under the Pension System, as defined in Article III hereof.
- 1.11 Pension System means the program for providing retirement and other benefits to the employees of the City as expressed in the Act and the Supplemental Plan.
- 1.12 Plan means the Act, the Supplemental Plan and the trust document established pursuant to Section 5.06 of the Supplemental Plan, and any duly adopted amendments to any of the foregoing instruments.
- 1.13 Plan Administrator means the City of Knoxville Pension Board.
- 1.14 Plan Year means the twelve (12) month period beginning on July 1 and ending on June 30.
- 1.15 Supplemental Plan means the Supplemental Plan Provisions of the City of Knoxville Employees Pension System authorized by Sections 1350.12 and 1371.6 of the Act, as contained herein and as may be duly amended from time to time.

ARTICLE II

INDIVIDUAL ACCOUNTS FOR DIVISION G

- 2.01 Individual Accounts at Retirement - A member of Division G who has a balance in his Individual Account shall have the opportunity prior to the commencement of his retirement benefits under Section 1371.4(A) of the Act, to elect to receive the value of his Individual Account in a lump sum payment, if eligible to receive such a distribution pursuant to the terms of the Plan. If elected, the member shall receive a lump sum payable with his retirement benefits based on his Individual Account as of the preceding Valuation Date, plus Employee Contributions and Employer Contributions to the member's account during the Plan Year in which the member's employment terminates since the last Valuation Date, or a lump sum of his Individual Account payable as soon as practicable following the next Valuation Date. If the member does not elect before his retirement benefits commence to receive his Individual Account in the form of a lump sum, then the Account shall be paid in the form selected by the member under Section 1371.4(D) of the Act, determined using the Actuarial Factors provided in Appendix A. A disabled member shall have the opportunity to have his Individual Account paid in the form of a life annuity under Section 1371.4(B) determined by using the Actuarial Factors in Appendix A. If a disabled member who elected to receive his Individual Account in the form of a life annuity is no longer eligible for disability retirement benefits according to Section 1360.18(D) of the Act, the remaining portion of his annuity benefits attributable to his Individual Account, determined using the Actuarial Factors in Appendix A, shall be converted to a lump sum amount based on the present value of the life annuity elected by the member. The lump sum amount shall be distributed between the Employee and Employer Accounts based upon the ratio of the contribution rates to such accounts.
- 2.02 Individual Accounts at Termination of Employment - For any member of Division G with a balance in his Individual Account at termination of employment, payments from his Employee and Employer Account shall be as follows:
- (i) if termination of employment occurs before the completion of 5 years of Credited Service, the member may elect to receive the balance in his Employee Account; or
 - (ii) if termination of employment occurs after the completion of 5 years of Credited Service, the member may elect to receive the balance in his Individual Account.

Payment of the balance in the member's Employee or Individual Account according to (i) or (ii) above shall not affect the member's reinstatement rights under the Pension System. A member may elect to receive his Employee or Individual Account balance independently from an election to receive a refund of Employee Contributions under the Act. Provided, however, if a member does not elect to receive his Employee Account according to (i) above, that Account shall be paid to him as soon as administratively practicable after six years from the date his employment terminated. Provided, further, if

a member does not elect to receive his Individual Account according to (ii) above, that account shall be paid to him or his designated beneficiary according to Sections 2.01 or 2.03, as appropriate.

A member of Division G who elects to receive his Employee Account under (i) above, shall forfeit his Employer Account. (Forfeitures of Employer Accounts shall be used to reduce Employer Contributions otherwise allocable to the Employer Accounts of Division G members in the Plan.) If the member is rehired within six years of his employment termination date, his Employer Account shall be restored, provided the member repays the Plan his Employee Account, plus interest as provided in Appendix A from the date of the Forfeiture.

2.03 Individual Accounts Upon Death - If a member of Division G dies, Individual Accounts shall be paid according to the following:

- (a) Death Before Retirement - Upon the death of a member before retirement and the commencement of any benefits under the retirement provisions of the Act, death benefits shall be paid in the same manner as under Section 1360.24 of the Act, provided, however, for a member whose normal retirement benefit is determined under Section 1371.3(A)(1) of the Act, the refund of Employee Contributions shall exclude Employee Contributions allocated to his Employee Account. Provided, further, the value of a member's Individual Account shall be payable to the member's surviving spouse or other designated beneficiary, regardless of the number of his years of Credited Service at death. The Plan Administrator shall direct a distribution to such member's beneficiary in accordance with Section 2.01 above, with the beneficiary being substituted for the member in such section.
- b) Death After Retirement - Upon the death of a former member who has retired but who has not elected to receive benefit payments in accordance with Section 1371.4(D) of the Act, a death benefit shall be paid in the same manner as under Section 1360.25 of the Act, provided, however, for a member whose normal retirement benefit is determined under Section 1371.3(A)(1), the calculation of whether there are Employee Contributions in excess of the pension benefits paid to the member shall not include Employee Contributions allocated to his Employee Account. Provided, further the Plan Administrator shall direct distributions to such member's surviving spouse or other designated beneficiary the value of the member's Individual Account as of the date of death in accordance with Section 2.01 above with the beneficiary being substituted for the member in such section. Provided, however, upon the death of a disabled member, the remaining portion of his annuity benefits attributable to his Individual Account shall be determined in accordance with Section 2.01 as if the member was no longer eligible for disability retirement benefits and paid to his surviving spouse or other designated beneficiary in a lump sum. For any member under this subsection who is receiving benefit payments in accordance with Section 2.01, the provisions of said section shall control concerning any payments upon the death of such members.

ARTICLE III

QUALIFICATION REQUIREMENTS

The following provisions shall apply to both the Act and the Supplemental Plan in order to qualify all divisions of the Pension System under the IRC.

- 3.01 Maximum Compensation - In no event shall such earnings or compensation taken into account under either the Act or the Supplemental Plan for determining benefits or contributions exceed the Maximum Compensation.
- 3.01(a) Effective for Plan Years commencing on or after July 1, 1989, in no event shall Maximum Compensation during a Plan Year exceed two hundred thousand dollars (\$200,000) or such other adjusted amount as may be determined by the Secretary of the Treasury pursuant to IRC Section 401(a)(17), provided that the increase determined as of any January 1 of a calendar year by the Secretary of the Treasury shall be effective for Plan Years beginning in such calendar year. When determining the Maximum Compensation of an Employee for purposes of this limit for Plan Years beginning prior to December 31, 1997, the rules of IRC Section 414(q)(6) shall apply except in applying such rules, the term "family" shall include only the spouse of the Employee and any lineal descendants of the Employee who have not attained age nineteen (19) before the close of the year. For Plan Years beginning after December 31, 1997, the "family" aggregation rules of IRC 414(q)(6) shall no longer apply. If the adjusted two hundred thousand dollar (\$200,000) limit is exceeded, as a result of the application of such rules, then the limitation shall be prorated among the affected individuals in proportion to each such individual's Maximum Compensation as determined under this section prior to the application of the limit.
- 3.01(b) Effective for Plan Years commencing on or after July 1, 1994, the two hundred thousand dollar (\$200,000) limit referenced in subsection 3.01(a) shall be one hundred fifty thousand dollars (\$150,000) (or such other adjusted amount as may be determined by the Secretary of Treasury pursuant to IRC Section 401(a)(17)).
- 3.01(c) Effective for Plan Years beginning after December 31, 2001, the annual Compensation of each member taken into account in determining allocations for any Plan Year shall not exceed \$200,000, as adjusted for cost-of-living increases in accordance with Code Section 401(a)(17)(B).

- 3.01(c) Notwithstanding subsection 3.01(a) and (b), in the case of an “Eligible Member”, the dollar limitation herein provided in subsection 3.01(b) shall not apply to the extent the amount of Maximum Compensation which is allowed to be taken into account would be reduced below the amount which was allowed to be taken into account under subsection 3.01(a) as in effect on July 1, 1993.
- 3.01(d) For purposes of this Section 3.01, “Eligible Member” shall mean an individual who first became a member in the Pension System before July 1, 1996.

Notwithstanding these provisions, this provision shall be interpreted consistent with IRC Section 401(a)(17). Further, such law and related regulations shall be controlling in all determinations under this provision, inclusive of any provisions and requirements stated in such law and regulations but not expressly set out in this Section 3.01.

3.02 Maximum Annual Additions - Anything to the contrary in the Act or the Supplemental Plan notwithstanding, the total Annual Additions credited to any member in the Pension System for any Limitation Year commencing on or after July 1, 1985, in all qualified Defined Contribution Plans maintained by an Employer shall not exceed the lesser of subsection 3.02(a) or subsection 3.02(b):

- 3.02(a) Thirty thousand dollars (\$30,000) or such larger amount as may be allowed under regulations issued pursuant to IRC Section 415(d); or
- 3.02(b) Twenty-five percent (25%) of the member’s total non-deferred compensation received from the Employer for any Limitation Year. For purposes of this paragraph, “compensation” shall mean a member’s earned income, wages, salaries, fees for professional service, and other amounts received for personal services actually rendered in the course of employment with an Employer maintaining the plan (including, but not limited to, commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, and bonuses) and excluding the following:
- (i) Employer contributions to a plan of deferred compensation to the extent such contributions are not included in gross income of the Employee to a Simplified Employee Pension plan and to the extent such contributions are deductible from a plan of deferred compensation whether or not includible in the gross income of the Employee when distributed;
 - (ii) Amounts realized from the exercise of a non-qualified stock option, or realized when restricted stock (or property) held by an Employee becomes freely transferable or is no longer subject to a substantial risk of forfeiture;

- (iii) Amounts realized from the sale, exchange, or other disposition of stock acquired under a qualified stock option; and

- (iv) Other amounts which receive special tax benefits, or contributions made by an Employer (whether or not under a salary reduction agreement) towards the purchase of a 403(b) annuity contract (whether or not the contributions are excludable from the gross income of the Employee).

Compensation for any Limitation Year is the compensation actually paid or includible in gross income during such year.

For Limitation Years beginning after December 31, 1991, for purposes of applying the limitations of Article III, compensation for a Limitation Year is the compensation actually paid or made available during such Limitation Year.

For Limitation Years beginning after December 31, 1997, for purposes of applying the limitations of Article III, compensation paid or made available during such limitation year shall include any elective deferral (as defined in Code § 402(g)(3)), and any amount which is contributed or deferred by the employer at the election of the employee and which is not includible in the gross income of the employee by reason of §§ 125 or 457.

For Plan Years beginning after December 31, 2000, compensation shall also include amounts which are contributed by the Employer pursuant to a salary reduction agreement and which are not includible in the gross income of the member under Code Section 132(f)(4).

In the event a member is covered by one or more other Defined Contribution Plans maintained by an Employer, maximum Annual Additions shall be decreased to the extent determined necessary by the Employer, to ensure that all such plans will remain qualified under the IRC.

For Plan Years beginning after December 31, 2001, the “annual addition” that may be contributed or allocated to a member’s account under the Plan for any “limitation year” shall not exceed the lesser of:

- 3.02(c) \$40,000, as adjusted for increases in the cost-of-living under Code Section 415 (d), or

- 3.02(d) one-hundred percent (100%) of the member’s “415 Compensation” for the “limitation year.”

The “415 Compensation” limit referred to in 3.02(b) shall not apply to any contribution for medical benefits after separation from service (within the meaning of Code Section 401(h) or Code Section 419A(f)(2)) which is otherwise treated as an “annual addition.”

3.03 Defined Benefit Limitation - At any time during any Limitation Year beginning prior to July 1, 1995, the annual benefit payable to or on behalf of any member under any Defined Benefit Plan of an Employer shall not exceed the lesser of:

3.03(a) \$90,000, adjusted for increases in the cost-of-living as prescribed by the Secretary of the Treasury, effective January 1 of each calendar year and applicable to the Limitation Year ending with or within such calendar year; or

3.03(b) 100% of the member's average annual compensation from the Employer during the three consecutive years during which he was a member affording the highest such average.

For purposes of this Section 3.03, "compensation" shall have the meaning as defined in subsection 3.01.

Provided, that at any time during any Limitation Year beginning on or after July 1, 1995, the annual benefit payable to or on behalf of any member under any Defined Benefit Plan of an Employer shall not exceed the limit in Section 3.03(a).

For Plan Years beginning after December 31, 2001, the annual benefit payable to or on behalf of any member under any Defined Benefit Plan of an Employer shall not exceed the lesser of:

3.03(c) \$160,000, adjusted for increases in the cost-of-living as prescribed by the Secretary of the Treasury, effective January 1 of each calendar year and applicable to the Limitation Year ending with or within such calendar year; or

3.03(d) 100% of the member's average annual compensation from the Employer during the three consecutive years during which he was a member affording the highest such average.

3.03(e) Adjustment for Form of Benefit: If the accrued benefit is paid in a form other than a single life annuity, or a qualified joint and survivor annuity (for purposes of this subsection 3.03(e), the qualified joint and survivor annuity shall be a joint and 100% survivor annuity payable to the member's spouse), the limitations of subsections 3.03(a) and 3.03(b) shall apply to the accrued benefit by adjusting it using the Actuarial Factors in Appendix A so that it is the actuarial equivalent of such single life annuity.

3.03(f) Adjustment for Benefits Payable at Different Ages: The limitations of this Section 3.03 apply to a benefit for which payments begin at age sixty-two (62). Subject to the exception in subsection 3.03(k), if payment begins before the member attains age sixty-two (62), the limitation in subsection 3.03(a) shall be adjusted to the actuarial equivalent of the single life annuity beginning at age sixty-two (62). Provided, however, such dollar limitation shall not be reduced below (i) if the benefit begins at or after age fifty-five

(55), seventy-five thousand dollars (\$75,000) or, (ii) if the benefit begins before age fifty-five (55), the amount which is the actuarial equivalent of the seventy-five thousand dollars (\$75,000) limitation for age fifty-five (55). If payment begins after the member has attained age sixty-five (65), the limitation in subsection 3.03(a) above shall be the actuarial equivalent of such amount otherwise applicable at age sixty-five (65). The interest rate to be used in determining actuarial equivalence shall be the rate specified in the Actuarial Factors in Appendix A hereof; however, the interest rate used in determining an actuarially equivalent single life amount under subsection 3.03(e) or before age sixty-two (62) benefit under this subsection 3.03(f) shall not be less than the greater of five percent (5%) and the actuarial equivalent rate specified in Appendix A, and the interest rate used in determining an actuarially equivalent post age sixty-five (65) benefit shall not be greater than the lesser of five percent (5%) or the actuarial equivalent rate specified in Appendix A.

3.03(g) Special Rule for Annual Benefits of \$10,000 or Less: Notwithstanding the provisions of subsection 3.03(a) and 3.03(b), the benefits payable with respect to any member shall be deemed not to exceed the limitations of such subsections if:

- (i) the retirement benefits payable with respect to such member do not exceed ten thousand dollars (\$10,000) for the year under consideration or any prior year, and
- (ii) an Employer has not, at any time, maintained a Defined Contribution Plan in which the member participated.

3.03(h) Adjustment of Limit for Short Service:

- (i) Subject to the exception in subsection 3.03(k), in the event that a member has less than ten (10) years of participation in any Defined Benefit Plan, the dollar limitation otherwise applicable under subsection 3.03(a) above shall be reduced by multiplying such limitations by a fraction, the numerator of which is the number of such member's years of plan participation (or part thereof), but never less than one (1), and the denominator of which is ten (10). This paragraph shall, to the extent required by the Secretary of Treasury, be applied separately to each change in benefit structure hereunder.
- (ii) In the event that a member has been credited with less than ten (10) Years of Service, the percentage-of-average-earnings limitation otherwise applicable under subsection 3.03(b) above and the dollar amount otherwise applicable under subsection 3.03(g) above shall be reduced by multiplying each by a fraction, the numerator of which is the number of such member's Years of Service (or part thereof), but never less than one (1), and the denominator of which is ten (10).

- 3.03(i) Special Limitation for Police and Firefighters: In the case of police and firefighters who are “qualified participants” as defined in Section 415(b)(2)(H) of the IRC, the limitation in subsection 3.03(f) shall not reduce the amount in subsection 3.03(a) to less than fifty thousand dollars (\$50,000), or such other amount as announced by the Secretary.
- 3.03(j) Other Limitations:
- (i) Notwithstanding the foregoing, the benefits payable under the Pension System shall be adjusted to the extent necessary, as determined by the Plan Administrator, to prevent disqualification of the Plan under Section 415 of the IRC, which section, in addition to the foregoing limitations, may impose additional limitations on the benefits payable to members.
 - (ii) If the benefit limitations of this Section 3.03 are exceeded in any Limitation Year solely because a Defined Benefit Plan is aggregated with one or more other Defined Benefit Plans, the amount of any accrued benefit that would otherwise be accrued shall be reduced, so that (to the extent possible) such limitations are not exceeded.
 - (iii) In no event shall a member’s maximum annual benefit allowable under this Section 3.03 be less than the annual amount of benefit (including early retirement benefits and qualified joint and survivor annuity amounts) duly accrued by such member (under IRC Section 415 limitations then in effect) as of the last day of the Limitation Year beginning in 1982, or as of the last day of the Limitation Year beginning in 1986, whichever is greater (disregarding any applicable plan changes or cost-of-living adjustments).
- 3.03(k) Exceptions for Disability and Death: The limitations on the annual benefit in subsection 3.03(f) for payment prior to the member attaining age 62 and in subsection 3.03(h) for participation in a Defined Benefit Plan less than ten (10) years shall not apply if the member receives his benefit as a result of being disabled by reason of personal injuries or sickness, or if the member’s designated beneficiary, including his estate, receives a benefit as a result of the member’s death.
- 3.03(l) Transition Rule: Determinations under Code § 415(b)(2)(E) that are made before the first day of the first Limitation Year beginning after December 31, 1999 shall be made with respect to a participant’s Retirement Protection Act of 1994 old law benefit on the basis of Code § 415(b)(2)(E) as in effect on December 7, 1994, and the provisions of the Plan as in effect December 7, 1994, but only if such provisions of the Plan meet the requirements of Code section 415(b)(2)(E) as so in effect. Notwithstanding the foregoing, the Plan will apply Method 3 as described in Rev. Rul. 98-1 in implementing the changes made to Code § 415(b)(2)(E) by the Retirement Act of 1994.

3.03(m) In accordance with Rev. Rul 98-1 (Q&A number 15), a participant's old law benefit cannot increase after the participant's freeze date.

3.04 Multiple Plan Participation - For a member who is, or has been, a member in a Defined Benefit Plan and a Defined Contribution Plan maintained by an Employer, the sum of his defined benefit plan fraction and his defined contribution plan fraction for any Limitation Year may not exceed 1.0.

3.04(a) Plans Aggregated: For purposes of maximum Annual Additions to Defined Contribution Plans and maximum annual benefits payable from Defined Benefit Plans, all Defined Contribution Plans and all Defined Benefit Plans, whether or not terminated, shall be combined and treated as one (1) plan.

3.04(b) Defined Contribution Plan Fraction: For purposes of this Section 3.04, the term "defined contribution plan fraction" shall mean a fraction the numerator of which is the sum of all of the Annual Additions credited to accounts of a member as of the close of the Limitation Year and all prior Limitation Years and the denominator of which is the sum of the lesser of the following amounts determined for such Limitation Year and for each prior Limitation Year with the Employer:

- (i) the product of 1.25 multiplied by the dollar limitation in effect under subsection 3.02(a) for such year determined without regard to IRC Section 415(c)(6); or
- (ii) the product of 1.4 multiplied by an amount determined pursuant to subsection 3.02(b) with respect to each individual under the Plan for such Limitation Year.

3.04(c) Defined Benefit Plan Fraction: For purposes of this Section 3.04, the term, "defined benefit plan fraction" shall mean a fraction the numerator of which is the member's projected annual benefit (as defined in the said Defined Benefit Plan) determined as of the close of the Limitation Year and the denominator of which is the lesser of:

- (i) the product of 1.25 multiplied by the dollar limitation in effect under subsection 3.03(a) for such Limitation Year; or
- (ii) the product of 1.4 multiplied by the amount which may be taken into account under subsection 3.03(b) with respect to each individual under the Plan for such Limitation Year.

In the event the defined benefit plan fraction and the defined contribution fraction shall exceed 1.0 in any Limitation Year for any member, the Plan Administrator shall adjust or freeze the rate of benefit accrual for purposes of a Defined Benefit Plan or the amount of Annual Additions to a Defined Contribution Plan on behalf of any member so that the

sum of both fractions shall not exceed 1.0. The limitation on aggregate benefits from a Defined Benefit Plan and a Defined Contribution Plan shall be satisfied by a reduction (if necessary) in the member's benefits under the Defined Benefit Plan(s) before a reduction of any Defined Contribution Plan. For Limitation Years beginning after January 1, 2000, the limitation described in Section 3.04(b) and (c) shall no longer apply.

Effective as of the first day of the first "limitation year" beginning on or after January 1, 2000 (the "effective date"), and notwithstanding any other provision of the Plan, the accrued benefit for any member shall be determined without applying the limitations of Code Section 415(e) as in effect on the day immediately prior to the "effective date."

3.05 Required Minimum Distributions - Effective July 1, 1989, notwithstanding any provision in the Act or the Supplemental Plan to the contrary, the following provisions shall apply to distributions from the Pension System:

3.05(a) Lifetime Distributions: A member in the Pension System shall begin to receive his plan benefits, no later than April 1 of the calendar year following the calendar year in which the member attains age seventy and one-half (70 1/2), or in the calendar year in which he retires, whichever is later, but in all instances distribution shall occur in accordance with IRC Section 401(a)(9), including the minimum distribution incidental death benefit requirements of IRC Regulation 1.401(a)(9)-2.

3.05(b) Distributions on Death: Upon the death of the member, the following distribution provisions shall take effect:

- (i) If the member dies after distribution has commenced, the remaining portion of such interest will continue to be distributed at least as rapidly as under the method of distribution in effect prior to the member's death;
- (ii) If the member dies before distribution of his interest commences, the member's entire interest will be distributed no later than five (5) years after the member's death except to the extent that an election is made to receive distributions in accordance with (A) or (B) below:
 - (A) If any portion of the member's interest is payable to a designated beneficiary, distributions may be made in substantially equal installments over the life or life expectancy of the designated beneficiary commencing no later than one (1) year after the member's death;
 - (B) If the designated beneficiary is the member's surviving spouse, the date distributions are required to begin in accordance with (A) above shall not be earlier than the date on which the member would have attained age seventy and one half (70 1/2), and if the

spouse dies before payments begin, subsequent distributions shall be made as if the spouse had been the member.

3.06 Direct Rollovers - This section applies to distributions from the Pension System made on or after January 1, 1993. Notwithstanding any provision of the Act or the Supplemental Plan to the contrary that would otherwise limit a distributee's election under this part, a distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

3.06(a) Eligible Rollover Distribution: An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the IRC; and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities). Any amount that is distributed on account of hardship shall not be an eligible rollover distribution and the distributee may not elect to have any portion of such a distribution paid directly to an eligible retirement plan.

3.06(b) Eligible Retirement Plan: An eligible retirement plan is:

- (1) an individual retirement account described in Section 408(a) of the IRC,
- (2) an individual retirement annuity described in Section 408(b) of the IRC,
- (3) an annuity plan described in Section 403(a) of the IRC,
- (4) a qualified plan described in Section 401(a) of the IRC,
- (5) an annuity contract described in Section 403(b) of the IRC, or
- (6) an eligible plan under Section 457(b) of the IRC that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan;

that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined in Code Section 414(p).

3.06(c) Distributee: A distributee includes a member or former member .

- 3.06(d) Direct Rollover: A direct rollover is a payment by the plan to the eligible retirement plan specified by the distributee.
- 3.07 Military Service: Notwithstanding any provisions of the Act or the Supplemental Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the IRC.
- 3.08 Family Medical Leave Act Requirements – Notwithstanding any other provisions of the Plan, in the case of an eligible employee who takes family or medical leave as an eligible employee of a covered employer under the provisions of the Family and Medical Leave Act of 1993 (FMLA), any period of FMLA leave shall be treated as continued service for purposes of eligibility to participate and vesting service to the extent required by applicable law.
- 3.09 Vesting on Plan Termination - In the event that this Plan is terminated for any reason the accrued benefits of all members shall fully vest and become nonforfeitable.
- 3.10 Plan Forfeitures - Any Plan forfeitures occurring as a result of a member terminating employment with the City of Knoxville prior to completing five years of service shall not be used to increase benefits of remaining Plan members.
- 3.11 Nondiscrimination - Notwithstanding any nondiscrimination provisions that may be provided in the Plan document, so long as the Plan is deemed to be a “governmental plan”, as defined in Internal Revenue Code § 414(d), this Plan shall not be subject to the nondiscrimination and coverage testing provisions of Code §§401(a)(3), 401(a)(4), 401(a)(5), 401(a)(26), 401(k)(3), 401(m), and 410 as provided in Code §§ 401(a)(5)(G), 401(a)(26)(H), 401(k)(3)(G), 410(c)(1) and (2). This Plan shall be interpreted consistently with, to the extent applicable, Code §§ 401(a)(3), 401(a)(4), 401(a)(5), 401(a)(26), 401(k), 401(m) and 410(b).
- 3.12 Leased Employees - Employees classified by the Employer as independent contractors who are subsequently determined by the Internal Revenue Service to be Employees shall not be Eligible Employees for purposes of the Plan. For plan years beginning after December 31, 1996, a leased employee shall include any person (other than an employee of the City) who pursuant to an agreement between the City and any other person or entity (“leasing organization”) has performed services for the recipient City (or for the recipient and related persons) determined in accordance with Code § 414(n)(6) on a substantially full-time basis for a period of at least one year, and such services are performed under primary direction or control by the recipient City.

ARTICLE IV

PLAN AMENDMENT

4.01 Amendments to the Supplemental Plan shall be initiated upon the recommendation of the mayor and adopted by the city council for the City of Knoxville, without amendment unless with the mayor's written concurrence, by ordinance read at two separate meetings that is passed by a roll call vote. Provided, however, if the amendment provisions applicable to the Supplemental Plan as provided for in Sections 1350.12 or 1371.6 of the Act are modified, then the provisions in this Section 4.01 shall be likewise modified.

ARTICLE V

MISCELLANEOUS

5.01 Governing Law - The Supplemental Plan shall be construed, regulated, and administered according to the laws of the State of Tennessee.

5.02 Construction - The headings and subheadings in the Supplemental Plan have been inserted for convenience of reference only and shall not affect the construction of the provisions hereof. In any necessary construction the masculine shall include the feminine and the singular, the plural, and vice versa.

5.03 Exclusive Benefit - The assets of the Pension System must be used exclusively for the benefit of members and their beneficiaries. If Plan benefits are provided through the distribution of annuity or insurance contracts, any refunds or credits in excess of Plan benefits (on account of dividends, earnings, or other experience rating credits, or surrender or cancellation credits) will be paid to the trust.

5.04 Severability - The provisions of the Supplemental Plan are hereby declared to be severable; and if any of its articles, sections, provisions, exceptions, sentences, clauses, phrases or parts are declared and held unconstitutional or void in any court of competent jurisdiction, the remainder of the Supplemental Plan shall continue in full force and effect.

5.05 Compliance with IRC - No provision of the Act or the Supplemental Plan shall be interpreted as conflicting with any applicable section of the IRC.

5.06 Trust - The Plan Administrator shall establish a trust as required by IRC § 401(a). At all times, the Plan shall comply with the trust requirements for qualified plans as specified in the IRC.

ARTICLE VI

ADOPTION OF THE PLAN

Anything herein to the contrary notwithstanding, these restated and amended supplemental plan provisions are adopted on the condition that they and the Pension System shall constitute a qualified governmental plan under IRC Section 401(a). Should the Internal Revenue Service find that the Plan is not so qualified with respect to the members of the Pension System, the City may modify the Plan by means of amendment to this Supplemental Plan to meet Internal Revenue Service requirements.

This instrument has been adopted and approved as of November 25, 2003 by Ordinance No. O-409-03 of the Council of the City of Knoxville.

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APPENDIX A
ACTUARIAL FACTORS